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Comptroller

14 December 1954

Chief, Finance Division ✓

Audit of Contract [REDACTED]

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REFERENCE: Staff Study to Chief, Finance Division, from Chief, Industrial Contract Audit Branch, dated 8 December 1954, subject above

1. As is indicated by the attached reference, this office has been unable to obtain access to the records of [REDACTED], a subcontractor under [REDACTED] for the purpose of completing its audit for closing the contract settlement.

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2. Review of this case seems to point to the following conclusions:

a. Basically, the problem has arisen because the original contract did not recognize nor provide for conditions of audit to protect the Agency's interest.

b. In spite of the deficiency in the basic contractual agreements, at least a minimum audit has been conducted with respect to verification of \$425,402.48 of the total costs of \$547,576.55 claimed under the contract.

c. Although the validity of security objections to completion of the audit of the subcontractor by representatives of this office appears to be of questionable nature, in view of the lack of audit provisions in the contract and previous use of a witting CPA, it is doubtful that we can sustain the position that audit must be by our representatives.

d. In view of the results obtained from previous use of an outside CPA on audit under the contract and the broad general terms of the contract, it is extremely doubtful that use of a witting, security-cleared CPA would result in sufficient adjustment of costs claimed to justify the cost of such audit.

e. The Audit Office believes that audit requirements of the subject contract have been satisfied by the interim report on the subcontractor prepared by [REDACTED]

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☐ Declassified

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Date: 03 OCT 1978

By: [Signature]

*Copy of Attachment returned with correspondence to J. B. 12/20/54*

3. In view of the above conclusions, it is my recommendation that we close the subject case without further audit, subject to determination by the Office of Logistics that costs claimed under the contracts are reasonable and proper for the products furnished.

4. Your concurrence in this action is requested.

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CONCUR: 25X1A

*Sign*

Attachment - Reference Memo

FD/LEB:mct

cc: Indus. Cont. Aud. Br., FD

# MISSING PAGE

ORIGINAL DOCUMENT MISSING PAGE(S):

ATTACHMENT